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**A Distribution Analysis of Employee Incentives and Rewards
Within the Department of Health and Environmental Control**

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Purpose of the Project

“Ensure that agency managers are using available and appropriate incentives to reward and recognize deserving employees”. This lofty objective is listed on the new Department of Health and Environmental Control (DHEC) Strategic Plan 2005-2010. How does one evaluate or measure whether or not this objective is being met? More importantly, why does an agency want to ensure incentives are being rewarded to deserving employees? This objective is listed under the strategic goal “Improve organizational capacity and quality”. The Strategic Plan links rewarding and recognizing deserving employees with improving organization capacity and quality. In other words, rewarding deserving employees will help retain those employees who, in turn, will assist with improving the agency’s organizational capacity and quality.

Frederick Herzberg supports this assumption in his book The Motivation to Work (Transaction Publishers, 1993). He theorizes that employees are motivated by two factors: Extrinsic (hygiene) and Intrinsic (motivators). Extrinsic factors include working conditions, job security and pay. He concludes that extrinsic factors can lead to job dissatisfaction. This dissatisfaction, in turn can lead to turnover. Manchester Partners International, an HR consulting firm with 145 offices across America, surveyed 400 U.S. companies regarding retention factors. The survey revealed “Better compensation and benefits are the top methods of employee retention”. (Employee Recruitment and Retention Newsletter, p. 9)

Determining who the ‘deserving employees’ are could prove to be difficult. Using employee EPMS ratings may be the obvious tool to use to

determine who is 'deserving', but currently 34% of employees that were due for review have a 'meets by default' rating. Many managers do not place a high priority on EPMS evaluations. Of those rated this fiscal year, 43% were awarded 'exceeds requirements' and 18% were awarded 'meets requirements'.

Historically, managers and employees tend to view a 'meets' rating as a poor rating. There would need to be a way to confirm the EPMS ratings accurately and consistently reflect an employee's performance. While it may not be possible to determine who the "deserving employees" are, it is possible to see if rewards and incentives are being awarded proportionately. This project paper will analyze the distribution of selected monetary rewards/incentives across the agency in an attempt to determine if the Strategic Plan objective is being met.

Data Collection

Data was collected for this project from the agency's Personnel Action Information System (PAIS). PAIS is a web-based computer system used to generate and store all personnel actions for all employees within DHEC. Three years of data was extracted from the database (January 1, 2003 through December 31, 2005). Data was selected for the following types of personnel actions: upward reclassifications, promotions, performance pay increases, additional duties and responsibilities increases, additional skills and knowledge increases, retention increases and bonuses. For analysis purposes, performance pay, additional duties and responsibilities, additional skills and knowledge and retention increases were lumped into the category of in-band increases. It should be noted that the agency bonus award program did not go into effect until

February 2005. All other monetary rewards to be analyzed have been in place for at least three years.

As of December 31, 2005, DHEC employed 4,457 employees. DHEC is organized into six main functional areas: Commissioner's Office, Chief of Staff's Office, Health Services, Environmental Quality Control (EQC), Health Regulations, and Ocean and Coastal Resource Management (OCRM). Health Services is further broken down into Central Office and eight Health Regions throughout the state. The data analysis will focus on distribution by gender, race, pay band and functional area.

Agency Demographics

A demographic background of DHEC is needed in order to evaluate the data. As previously stated, DHEC employed 4,457 employees at the end of 2005. 1139 (26%) are male and 3320 (74%) are female. See chart 1.

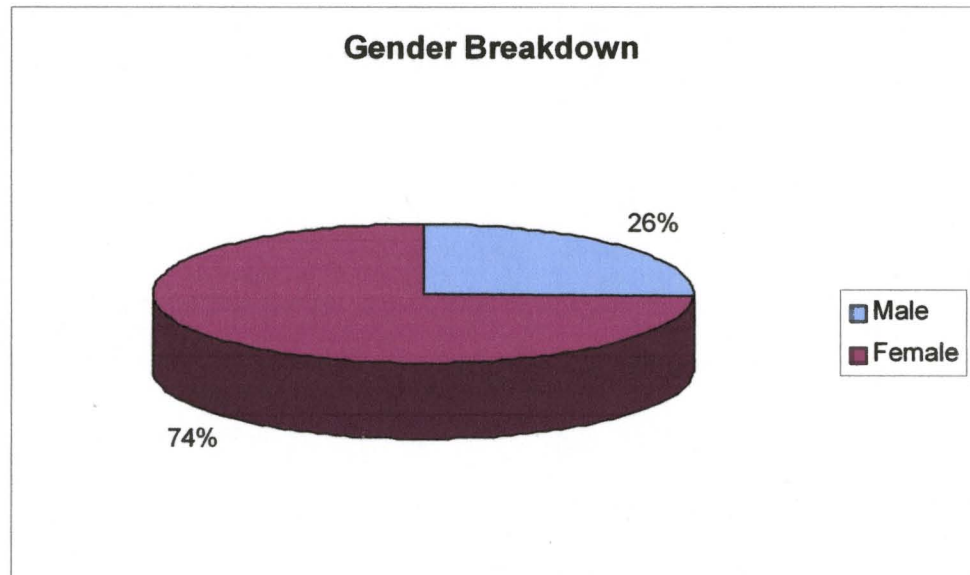


chart 1

Of the 4457 employees, 3342 (75%) are White, 1026 (23%) are Black, and 91 (2%) fall into the 'Other' category (Hispanic, Asian, Native American). See chart 2.

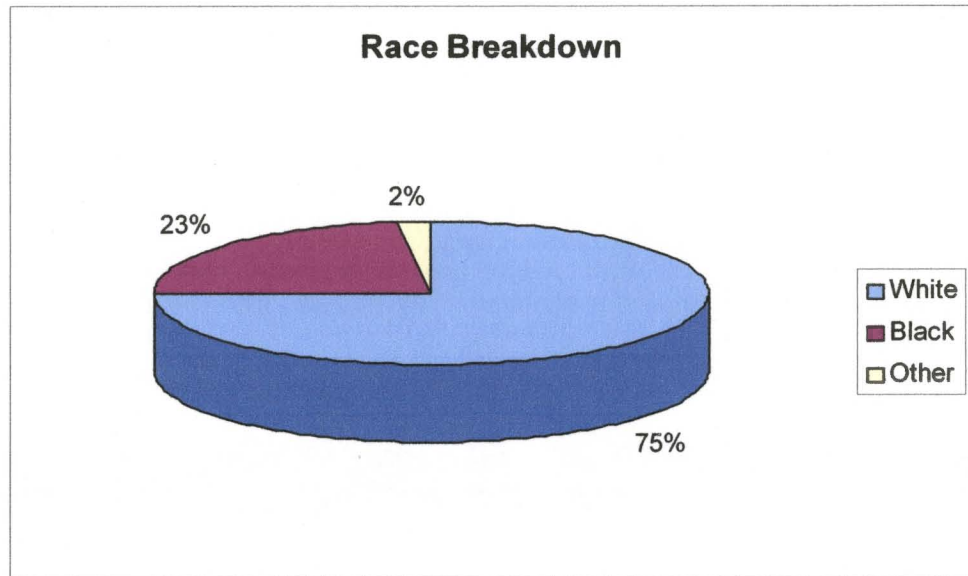


chart 2

DHEC employs someone in each of the ten state pay bands. The majority of employees fall in bands 6, 5 and 3. See chart 3.

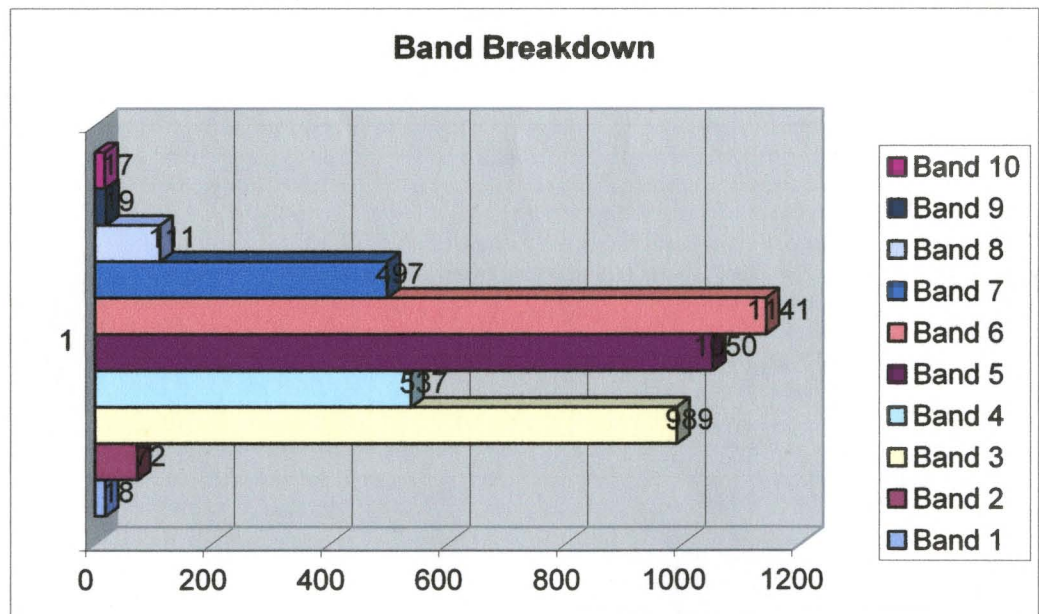


chart 3

DHEC's employees are distributed across functional areas. All of Health Services (Central Office and Health Regions) employs the greatest number of employees with 2992 (67%). Health Services Central Office employs 391. Environmental Quality Control employs 896 (20%). For analytical purposes, the Commissioner's Office and Chief of Staff's Office (CO/COS) were combined. Together those areas employ 365 (8%). Health Regulations and OCRM employ 160 (4%) and 44 (1%), respectively. See chart 4.

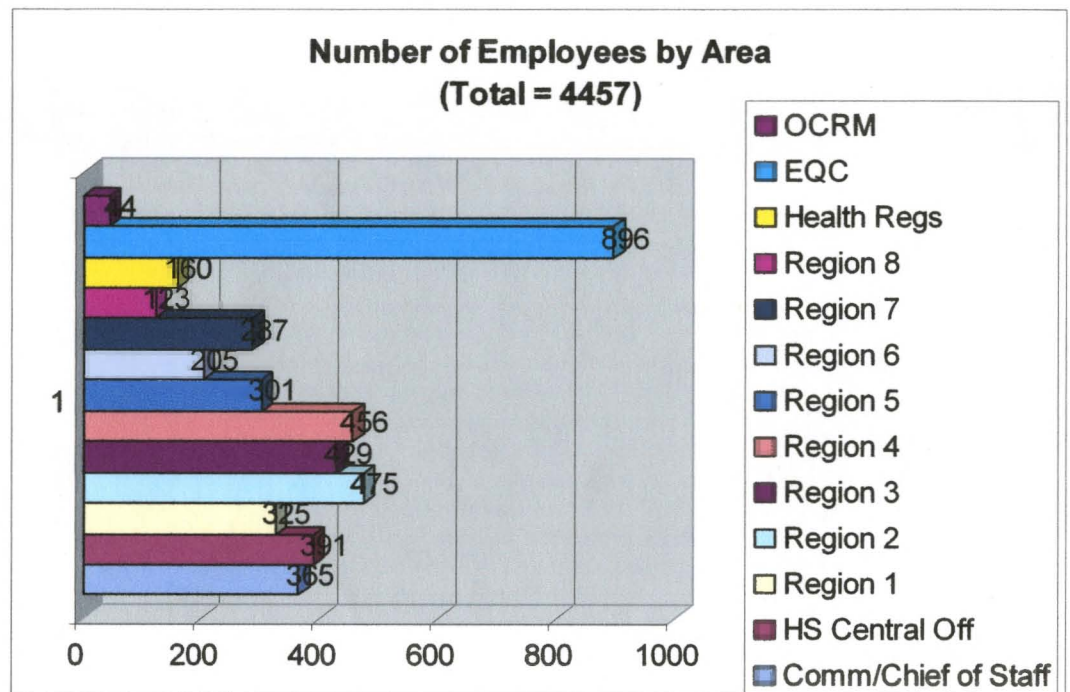


chart 4

Bonuses Awarded

The agency implemented a bonus award program in early 2005. Since that time, 99 bonuses have been awarded to employees. 52% of the bonuses were awarded to males and 48% were awarded to females. See chart 5.

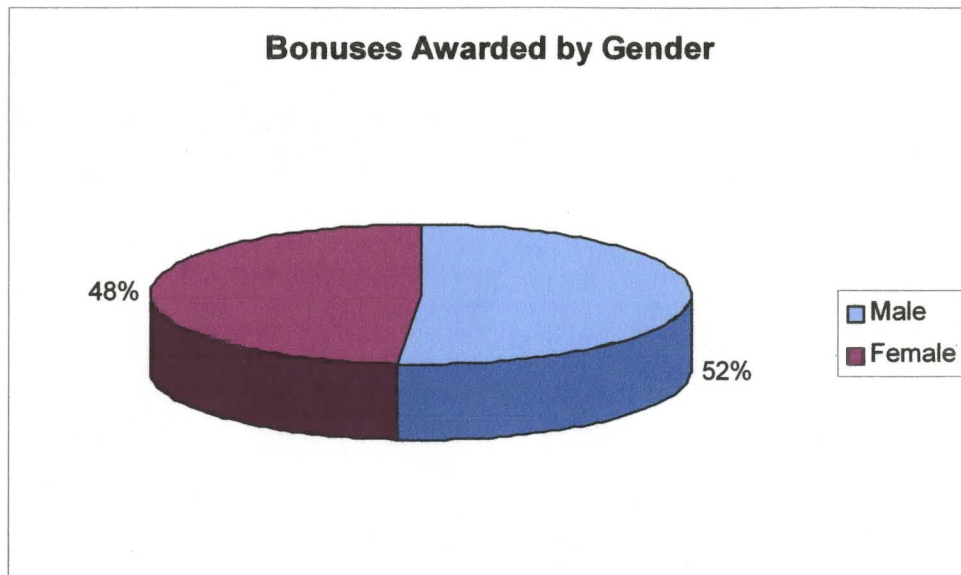


chart 5

Of the 99 bonuses awarded, 90% were given to white employees, 9% were given to black employees and 1% to the remaining races. See chart 6.

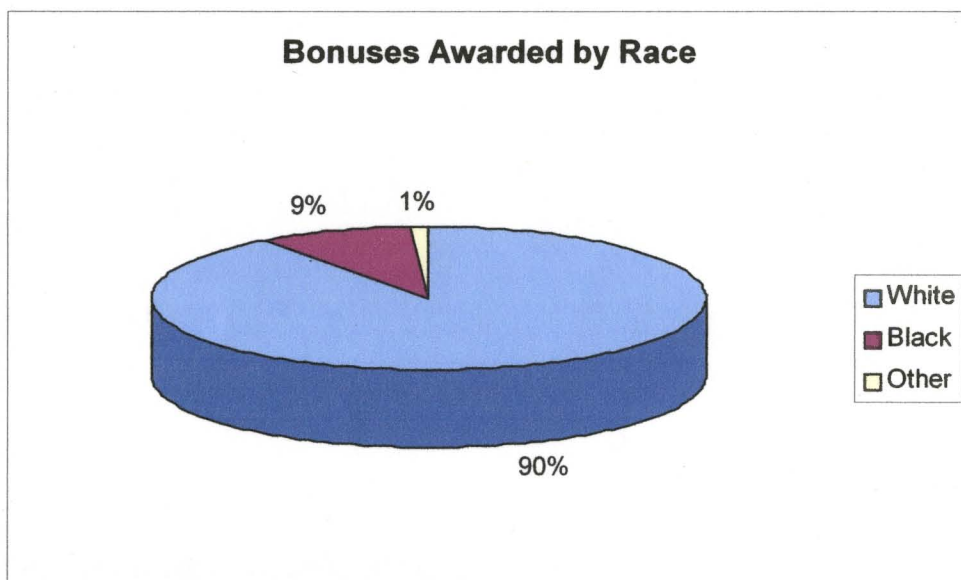


chart 6

Bands 5, 6 and 7 received the most bonuses totaling 80 of the 99.

Although band 3 makes up 22% of DHEC's workforce, only 5% were awarded to this band. No bonuses were awarded below band 3 and none were awarded above band 8. See chart 7.

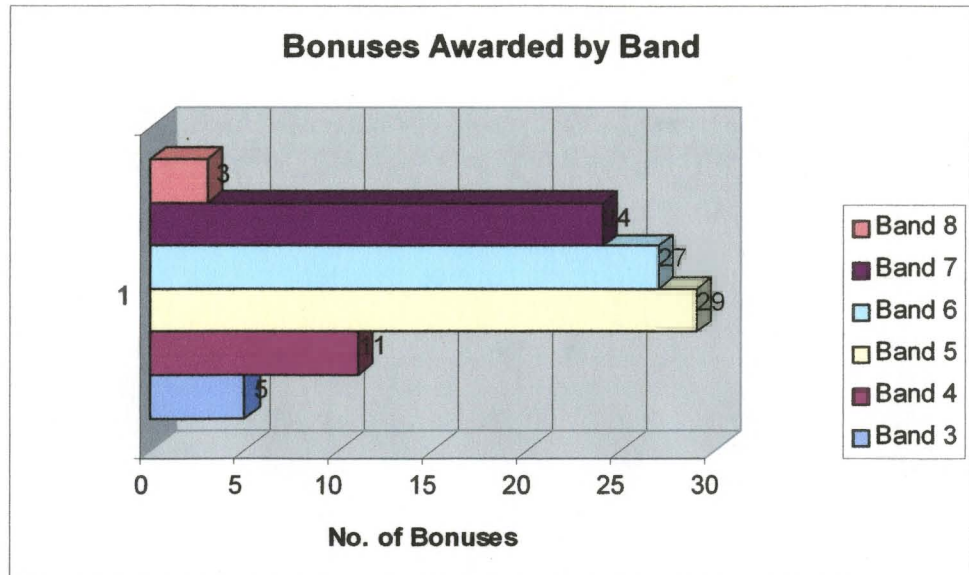


chart 7

Environmental Quality Control received 60 of the 99 bonuses. The Commissioner's /Chief of Staff Offices received the second highest amount with 18. See chart 8.

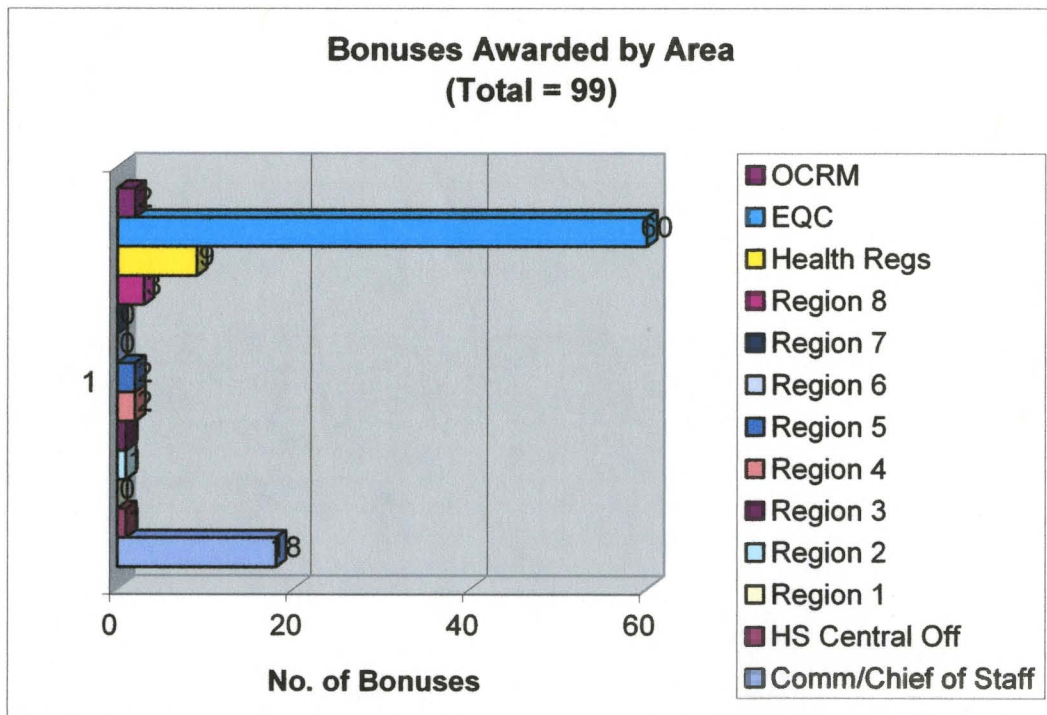


chart 8

As illustrated in the charts, bonuses were awarded in a disproportional manner to employees of EQC, to white employees, and to bands 5 through 7. It is not known why EQC accounted for 60% of the bonuses awarded while only employing 20% of DHEC's workforce. However, EQC's employees are 84% white and 83% of EQC employees are in bands 5, 6 and 7. It should be noted that Health Services has been addressing a budget deficit problem for the past year or so, so this may attribute to the lack of bonuses being awarded. Since the bonus award program has only been in place for a relatively short time, more data is needed to fully assess the distribution throughout the agency.

Promotions

Promotional opportunities were awarded to 206 employees during the last three years. 64% were given to females and 36% were given to males. The distribution of promotions is slanted slightly towards males. Males hold 26% of the agency positions but were awarded 36% of the promotions. While males only hold 26% of the agency's positions, 90% of males are in band 5 or higher. Females were awarded 64% of the promotions but make up 74% of the agency. 45% of the females employed at DHEC are in bands 4 and lower, so it would seem there would be more promotional opportunities for females than males. See chart 9.

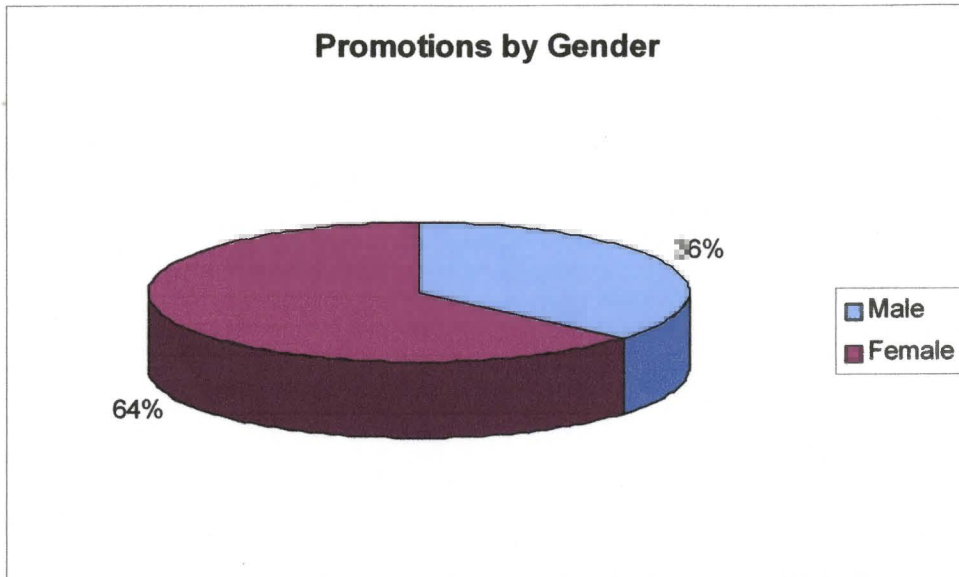


chart 9

When breaking down promotions by race, 75% were given to white employees, 23% were given to black employees and 2% went to other races. This distribution matches the agency demographics exactly. See chart 10.

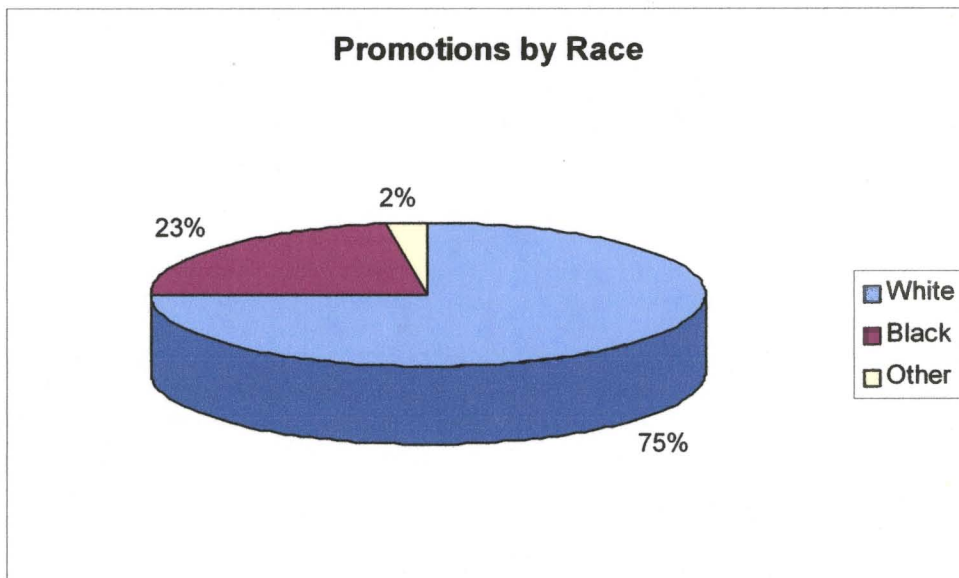


chart 10

Of the 206 promotions awarded, 71 were promotions into band 6, followed by 48 promotions into band 5. Since bands 5 and 6 have the highest

number of employees, totaling 2191, it is consistent for most of the promotional opportunities to be in these bands. See chart 11.

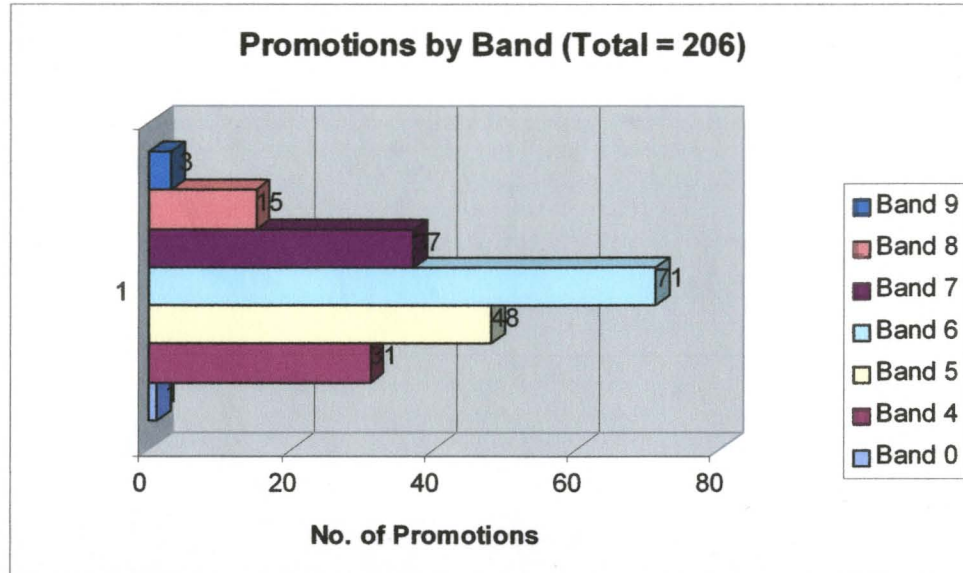


chart 11

When looking at the promotions by area data, it is clear EQC has the most promotions with 66. This accounts for 32% of all promotions. However, all of Health Services (Central Office and Health Regions) awarded 117 promotions for the three-year period, totaling 56%. EQC accounts for 20% of DHEC's workforce while all of Health Services employs 67%. It would appear there are more opportunities for promotion within EQC. EQC's turnover rate was analyzed to determine whether or not this accounted for the promotional opportunities. However, for the last three years, EQC's turnover rate was either at or below the agency average turnover rate and comparable to Health Services turnover rate. The 117 promotions in Health Services are distributed fairly equally, with the exception of H.S. Region 3 with 45. That number is much larger than the other Health Regions. The Personnel Coordinator from H.S. Region 3 indicated a high level of turnover in the Health Regulations area, which may have accounted for

some of the promotional opportunities. A few upper level Environmental Health Manager positions were vacated, which in turn led to a ripple down effect of promotional opportunities. The Commissioner's/Chief of Staff's Offices awarded 7.7% of the promotions and 2.4% for Health Regulations. See chart 12.

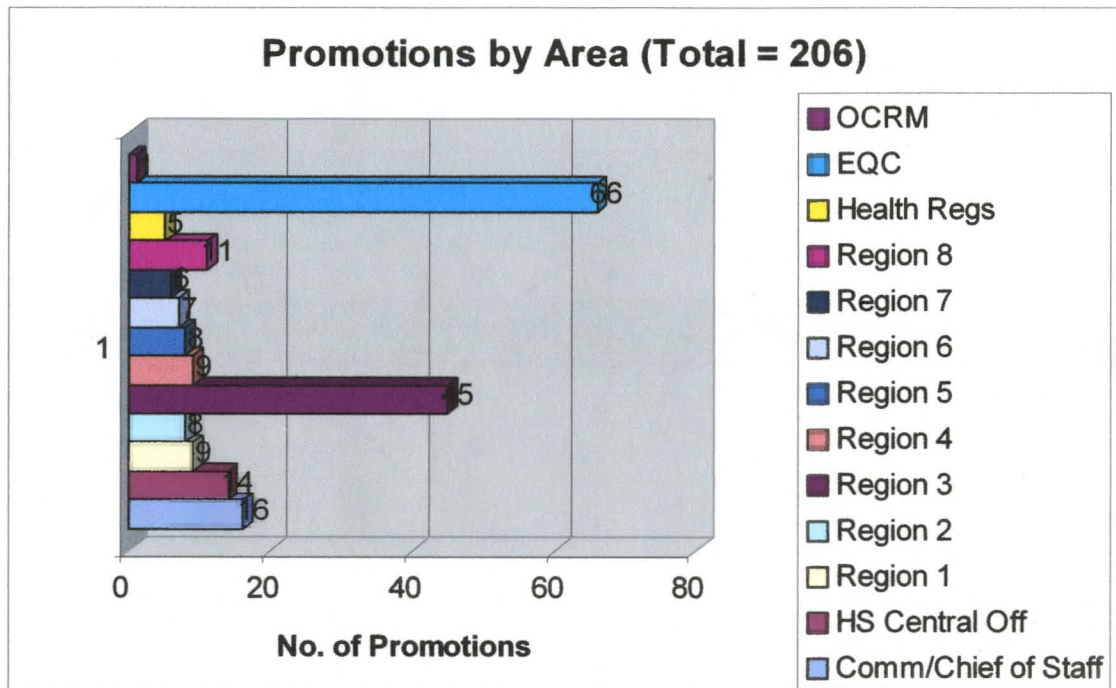


chart 12

Upward Reclassifications

Upward reclassifications were distributed proportionately along gender lines, with 29% going to males and 71% going to females. See chart 13.

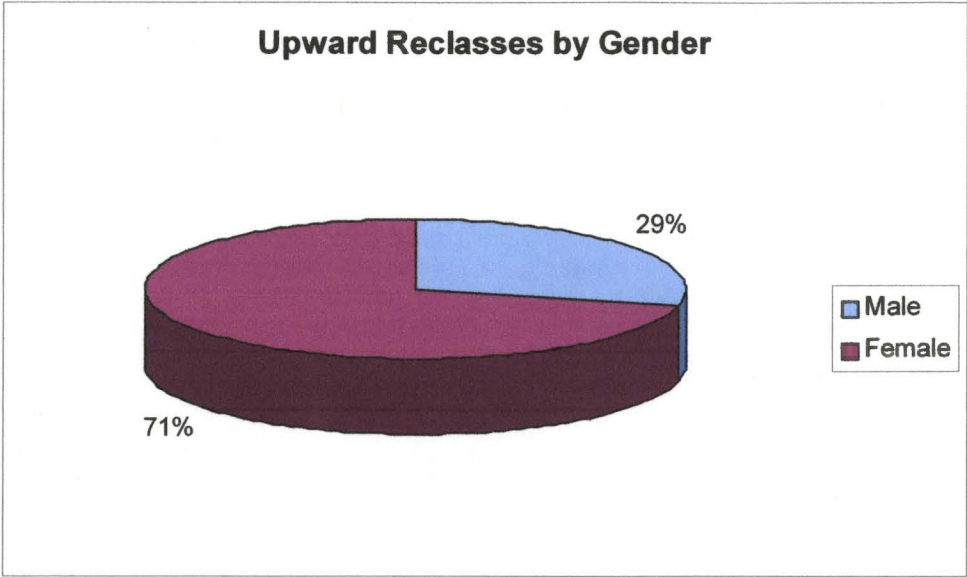


chart 13

The breakdown by race was also proportionate to the demographics of DHEC. White employees received 79% of the upward reclasses, black employees received 20% of the reclasses and 1% were given to the other races. See chart 14.

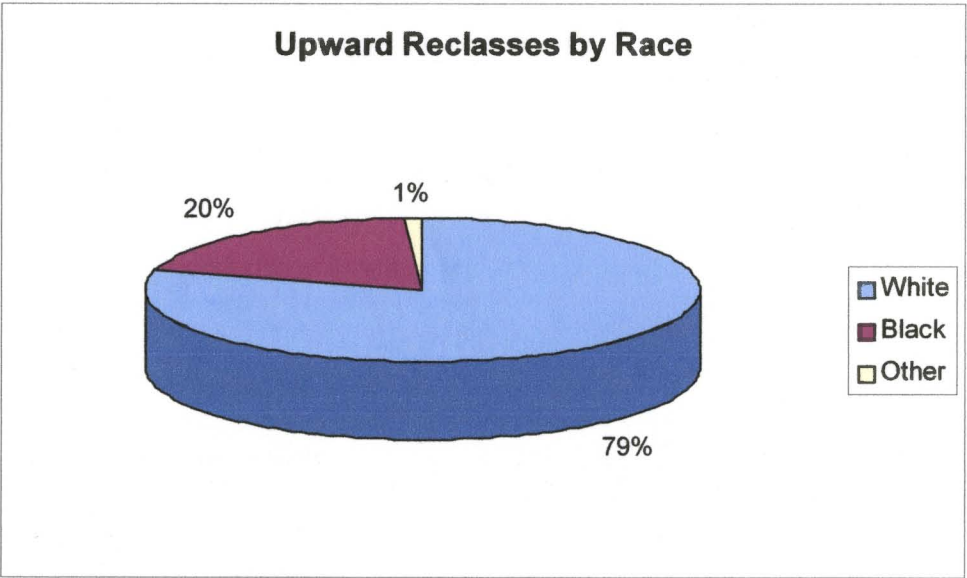


chart 14

During the three-year study period, 496 upward reclassifications were approved. Nearly half of those were reclassifications into band 6, with a total of

238 (48%). Band 5 followed with 109 (22%). Bands 4 and 7 followed with 69 (14%) and 60 (12%), respectively. See chart 15.

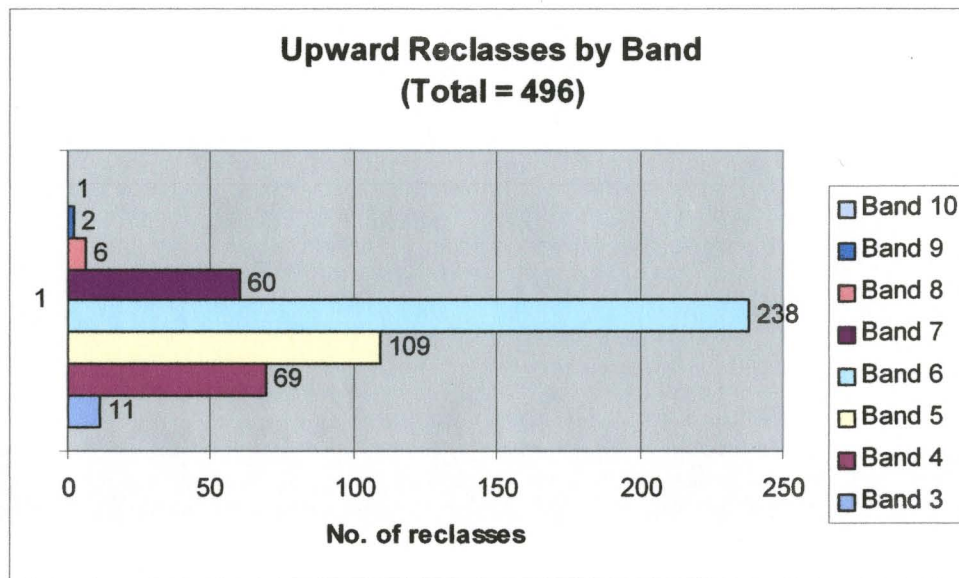


chart 15

The Upward Reclassifications by Area chart indicates EQC had the most upward reclassifications with 158 (32%). However, all of Health Services processed 279 (56%) upward reclassifications. Again, EQC accounts for 20% of DHEC's workforce while all of Health Services employs 67%. It would appear there are more opportunities for these types of actions in EQC. The distribution across Health Services is fairly equitable, with the exception of Region 5. Region 5 accounted for 55 upward reclassifications, nearly 20% of the reclassifications in Health Services. CO/COS Offices processed 46 (9%), Health Regulations processed 7 (1.5%) and OCRM accounted for 6 (1.2%). See chart 16.

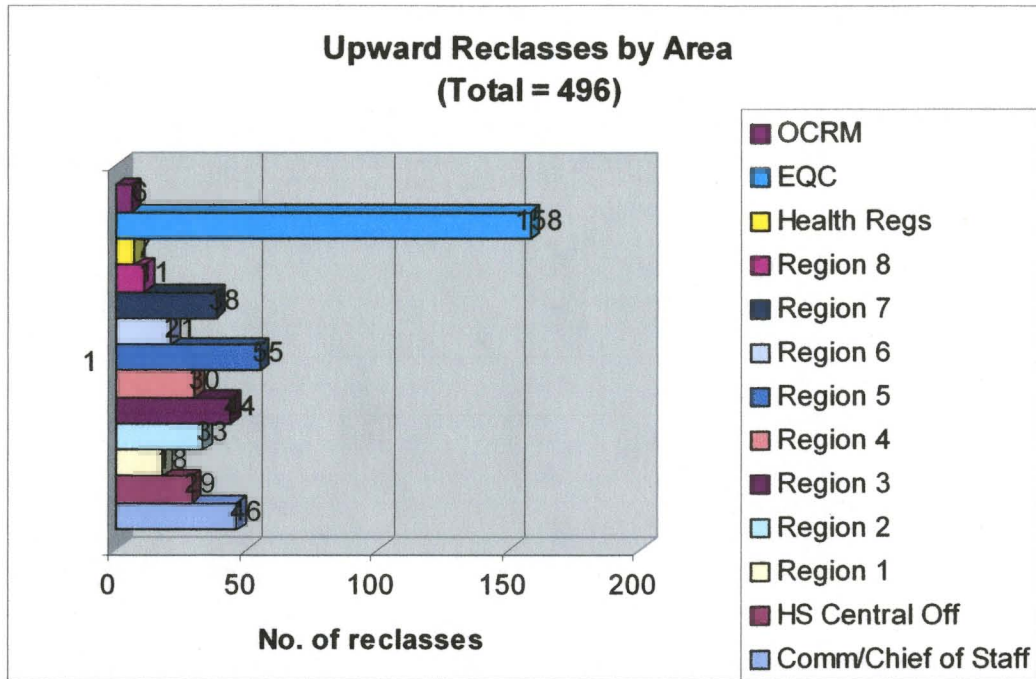
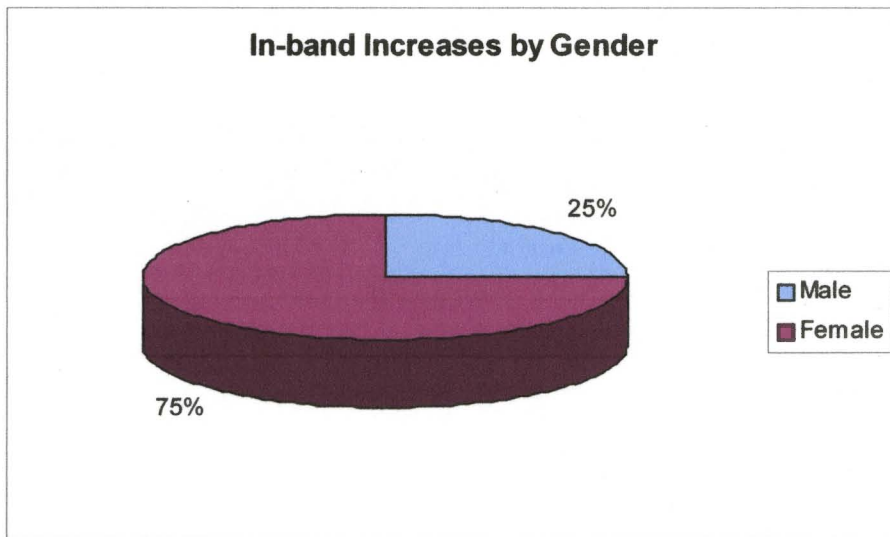


chart 16

In-band Increases

A total of 2871 in-band increases were processed during the three-year period. In-band increases include performance pay, additional duties and responsibilities, additional skills and knowledge, and retention. Of these, 2154 (74%) went to female employees and 717 (26%) went to male employees. This is proportionate to the agency demographics. See chart 17.



2241 (78%) of the increases were awarded to white employees, 587 (20%) were awarded to black employees and the remaining 40 (1.4%) were awarded to 'other' employees. This is proportionate to the agency demographics. See chart 18.

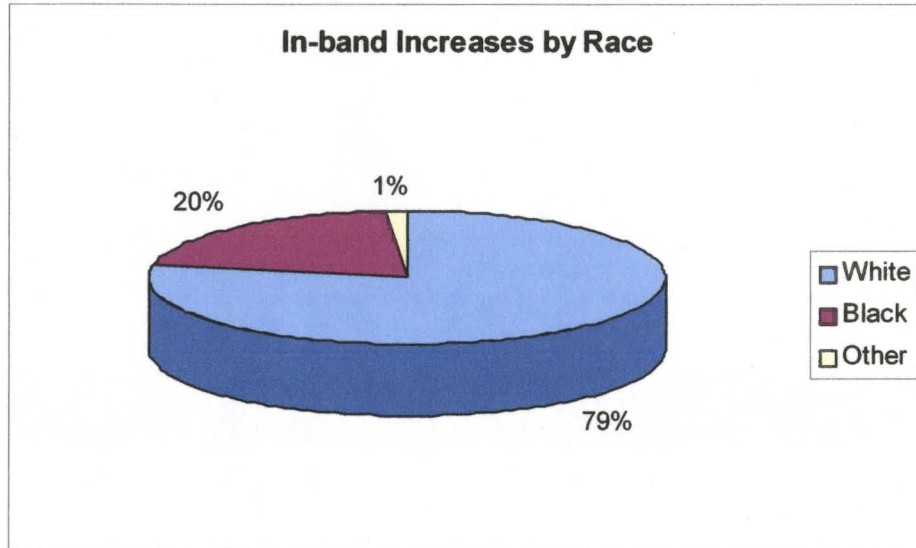


chart 18

The band distribution of in-band increases shows the majority of increases occurring in bands 6, 5 and 3. The other bands have proportionate distributions. See chart 19.

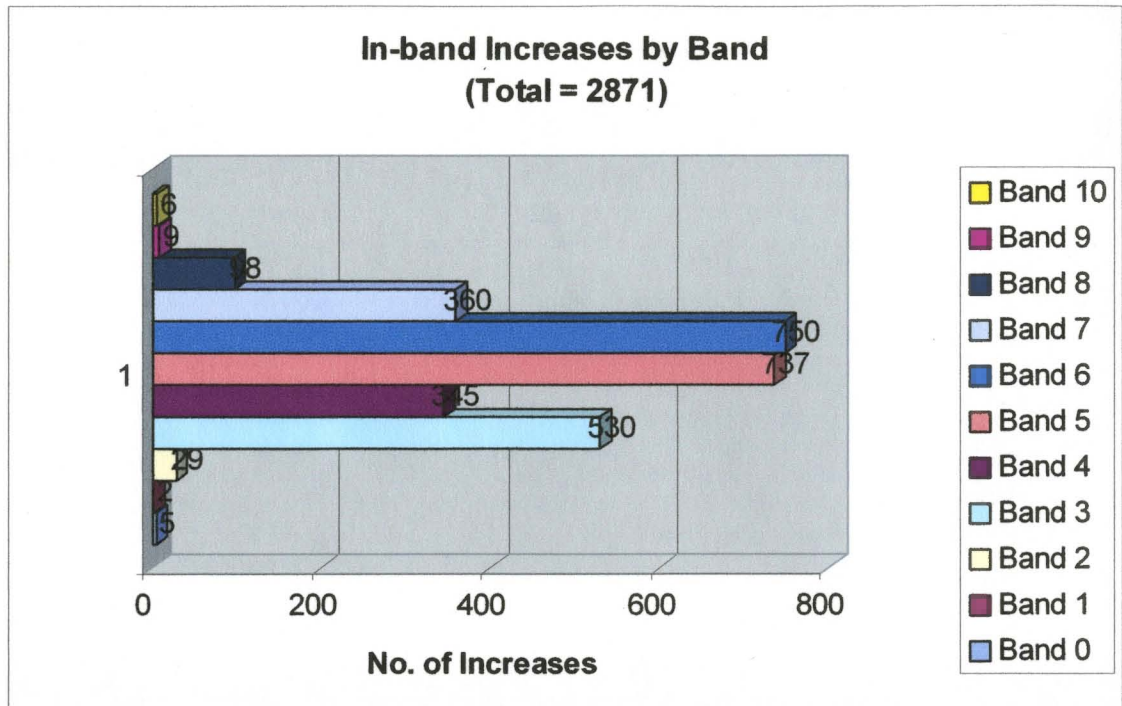


chart 19

All of Health Services awarded 1745 (61%) in-band increases over the three-year period. All Health Services employs 67% of DHEC's employees. In EQC, 505 (17.5%) in-band increases were approved. EQC's employs 20% of the agency's employees. The CO/COS Offices awarded 389 (13.5%) in-band increases. Those offices employ 8% of DHEC's staff. Proportionately, employees in the CO/COS Offices received the greatest number of in-band increases. OCRM's numbers were high proportionately also. They processed 114 (4%) in-band increases, although they represent 1% of DHEC's workforce. Health Regulations makes up 4% of DHEC's workforce and awarded 118 (4%) of the in-band increases. See chart 20.

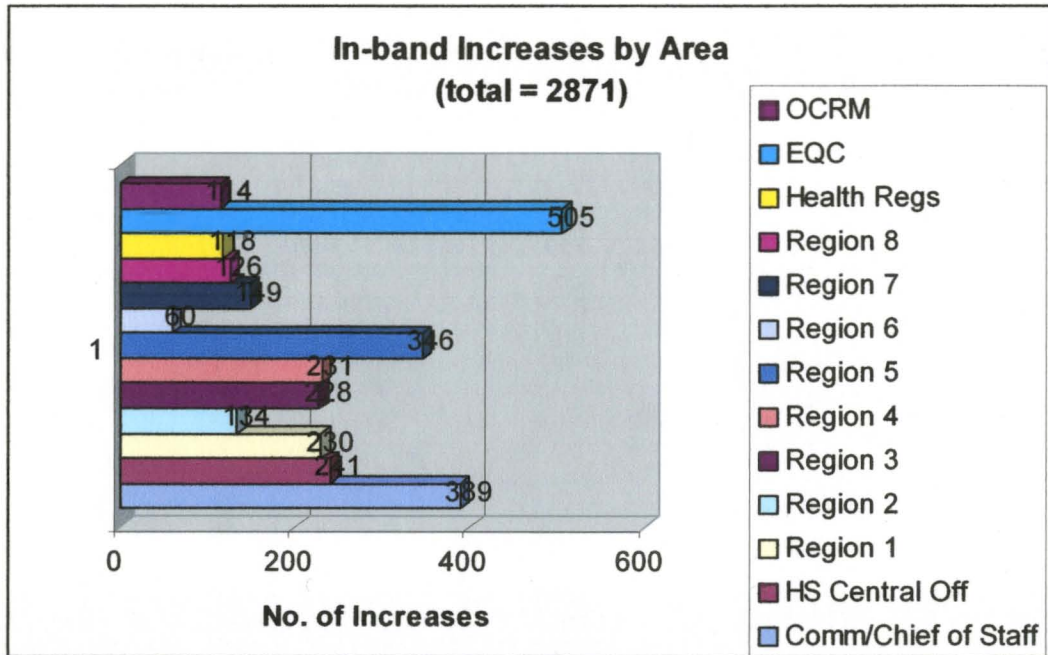


chart 20

Conclusion

Data for a three-year period was analyzed in an attempt to determine whether or not “agency managers are using available and appropriate incentives to reward and recognize deserving employees”. Four main monetary reward/incentive sources were analyzed: bonuses, promotions, upward reclassifications, and in-band salary increases. The distribution by gender, race, band and functional area was the focus of this study.

Of the bonuses awarded, 60% went to EQC employees. This in turn skewed the race and band distribution. As previously stated, the bonus program was implemented in early 2005. More time is needed to fully assess whether or not all areas of the agency will take advantage of this reward program.

When analyzing the data by gender, only the promotional opportunities were slanted towards one gender. Males make up 26% of the agency workforce, but received 36% of the promotions. The distribution of upward reclassifications and in-band increases was proportionate to the agency demographics.

The distribution of promotions, upward reclassifications and in-band increases by race was balanced in each case. All data was proportionate to agency race demographics.

The distribution of monetary rewards by band revealed a few inconsistencies. Most of the promotional opportunities were in bands 5 and 6, which have the highest number of employees. Band 5 accounted for 23% of the promotions and band 6 accounted for 34%. Band 7 provided the third highest number of promotions, with 18%. The majority of upward reclassifications went to band 6, with 48%. Band 5 followed with 22% and band 4 with 14%. The in-band increases awarded were distributed proportionately across all bands, with the

exception of band 3. Band 3 employs 22% of the agency staff, while receiving only 18.5% of the salary increases.

The distribution of monetary rewards by area seems to indicate the greatest opportunities to 'move up', either by promotion or reclassification, are available in EQC. EQC accounted for 32% of the promotions and 32% of the reclassifications, while employing 20% of the workforce. Health Services awarded 56% of the promotions and 56% of the reclassifications, while employing 67% of the agency staff. However, Health Services approved 61% of the agency in-band increases, while EQC approved 17.5%. Proportionately, CO/COS Offices and OCRM awarded the most in-band increases, with 13.5% and 4% respectively. Health Regulations seems to have the fewest opportunities to move up, with 2.4% of the promotions and 1.5% of the reclassifications, while employing 4% of agency staff. OCRM awarded only 1 promotion, which is less than 1% of the total, and awarded 1.2% of the reclassifications. They employ just 44 employees and make up 1% of DHEC's staff.

While all areas of the agency are utilizing the monetary rewards allowed by the agency pay plan, the distribution seems to have the most inconsistencies by agency functional area. Promotional and reclassification opportunities are greater in EQC, while in-band increases are most prevalent in CO/COS Offices and OCRM. Health Services opportunities were proportionately less in all categories. Several factors may need to be looked at in more detail to determine the cause of this. The agency as a whole, and Health Services in particular, has been experiencing shrinking budgets. Is it possible Health Services' opportunities were fewer because of their budget inadequacies? Also, what is the agency's position during times of budget crisis? Are managers still encouraged to reward deserving

employees with monetary rewards or are managers 'rewarded' for not giving out salary increases or promotions in order to cut costs at the expense of losing valuable employees? The agency may also need to determine if areas with the greatest amount of generated revenues are more likely to reward and recognize employees than those areas depending on allocated funds. In order to ensure valuable employees are rewarded and retained throughout the agency, these possible causes of inequities may need further investigation.